AMENDMENTS TO THE SPECIFICATION

Please replace the paragraph at page 10, line 27 with the following replacement paragraph:

[27] ~~DETAILED DESCRIPTION OF THE DRAWINGS~~ BRIEF DESCRIPTION OF THE DRAWINGS

Please replace paragraph 5 with replacement paragraph 5:

[05] Investment managers have used a variety of theories, models and methods to guide their selection of investments in order to produce a desired level of return on an investment consistent with an expected degree of risk. This selection process is generally preceded by a process to select for a strategy for ~~includes both an allocation of~~ allocating an investment amount among various asset classes made from the available investment assets, and forms the subsequent process of selecting for the ~~selection of~~ particular investments within each asset class with which to populate these strategies. Professional investment managers typically invest in categories ~~of assets broadly denominated as~~ of assets made from securities and including stocks, bonds and cash or cash equivalent investments such as short-term Treasury bills.

Please replace paragraph 7 with replacement paragraph 7:

[07] In the prior art, many attempts have been made to predict differences in future investment performance arising between funds within an asset class. Those that undertake such predictions use a standard system of performance measurement first introduced in ~~the tenets~~ of Modern Portfolio Theory (1952) to frame their efforts. In MPT, Dr. Harry Markowitz introduced the approach of evaluating investments in terms of a utility function that reflected both the expected return and the expected risk of an investment. He plotted past investment return (benefit) against the risk to the investment associated with that level of return (cost). This risk-return relationship is what is commonly referred to as 'investment performance' within the industry, and is denoted by the term 'risk-adjusted returns'.

Please replace paragraph 8 with replacement paragraph 8:

[08] Dr. Markowitz also created the mathematical proof that the returns of an investment portfolio as a whole can be maximized for a given level of risk by combining investments that have dissimilar and offsetting patterns of returns variance, demonstrating that a portfolio's

return variance is the product of the variances of each investment, plus the product of the pair-wise cross or co-variances between each investment. This approach of combining investments of dissimilar risk has become the primary strategy for allocating portfolio assets within the industry, and is the precursor asset allocation strategy process on which the investment selection process of this Application, as well as many others, rests.

Please replace paragraph 9 with replacement paragraph 9:

[09] The segmentation of the process of creating an investment portfolio into the processes of asset allocation strategy selection and subsequent investment selection process is driven by practical concerns. With a large population of available investments, computation of the pair-wise covariance between the returns of each investment option as required by asset allocation processes such as outlined in Markowitz' Modern Portfolio Theory have ~~has~~ historically been a burdensome and slow process. As a result, managers have typically focused their asset allocation strategies on the combination of broad ~~dissimilar~~ asset classes, deciding what allocation of available investment resources should be placed in each asset class. Under MPT, these asset classes are, by definition, groups of investments with uniquely similar patterns and levels of risk, and can be identified by one of several methods. The pattern and level of past returns of individual investments can be analyzed and grouped, or in the case of mutual funds, groups can be formed from categories of funds with similar stated investment objectives. Pair-wise co-variance analysis then becomes a simpler exercise, using a small number of broad asset classes as proxies for the funds contained within each class.

Please replace paragraph 20 with replacement paragraph 20:

[20] This present invention provides a process for selecting a group of book-valued collective investment funds ("book-valued funds" or "funds"), on the basis of differences in past investment performance, from among a population of such funds within an asset class, whose future investment performance will be stronger than that of the average of the population's investment performance for at least thirty-six months. The processes identifies predictive

differences in the population of the funds, namely, anomalies in population density distribution from what would be the expected population distribution under a normal distribution. In the presently preferred form, this identification is by forming groups within the population. This forming divides the population arranged in a two-dimensional risk-return space that illustrates investment performance. The dividing is into areas of theoretically equal populations based on an assumption that the population is uniformly random and distributed through that space with a normal distribution about a center point of the population. The identification process of this invention then uses the discovery that the population density is not uniform – there exist unanticipated anomalies ~~variances~~ in the distribution of funds within an asset class around their average, when that population is catalogued in terms of investment performance.

Please replace paragraph 21 with replacement paragraph 21:

[21] This invention then makes use of these unanticipated anomalies ~~variances~~ in population density to select groups of funds within an asset class whose future performance will consistently be stronger than the asset-class average. More specifically, to make use of these anomalies, the presently preferred form of this invention measures the actual population of funds in each theoretically equal area. The areas are then ranked based on these measurements. One or more high-ranking (more population dense than other) areas are selected. The funds in this area, or a composite of such areas, are selected for future investment. This performance advantage is statistically significant for up to thirty-six months following the selection date. Used in conjunction with other selection criteria based on indices of past performance, the magnitude of the advantage of this selection over this period is also economically significant, with an average alpha or differential return over the class asset average typically exceeding 2% for the period. The result is a consistent and reliable method for selecting investments that will outperform their asset-class peers. The use of this invention is to create and maintain a group of such investments within asset classes made up of book-valued collective investment funds.

Please replace paragraph 58 with the following replacement paragraph 58:

[58] Illustrated in Fig. 15 is the condition that [[As noted above,]] an investment whose investment performance is stronger than that of its asset-class average is one whose position on this mean-variance graph resides above the equilibrium line. There exist different conventions for measuring this vertical distance above the line. The measurement can be taken at the point where the investment resides along the x-axis -- that difference computed is the investment's 'differential return'. A line can be drawn from the risk free asset through the point of average returns and returns variance for an investment - the distance from that line to the equilibrium line at the point along the x-axis at which the asset-class average or associated indice resides is called the 'excess return'. If one were to draw a line parallel to the equilibrium line through the point of average return and return variance for an investment when that variance is calculated as beta and measure the distance between that line's intercept along the y-axis and the risk-free asset rate of return, that difference is an investment's 'alpha'. ~~These terms are illustrated in prior art Fig. 15.~~

Please replace paragraph 82 with the following replacement paragraph 82:

[82] In an alternative embodiment of the method of the present invention, a significant anomaly ~~variance~~ in population densities is selected for the four areas 50 closest to the center point for average returns and returns variance for the population, relying on the condition that asset class populations of funds are usually leptokurtic. The density for these four closest areas 50 within the aforementioned sixteen-square example is similar to that produced by combining the four most-densely populated areas 50 -- 34% of the total asset class population. The advantage in future investment performance enjoyed by this closest-group over their peers

within the asset class is also on par with that created from the selection of the four most-populated areas 50 for the periods and asset classes tested.

Please replace paragraph 90 with the following replacement paragraph 90:

[90] The measure of <u>population-dispersal</u> ~~variance~~ around this mid-point is a calculation of the standard deviation of return variance for the asset class. This is a convenient and most generally-accepted measure of variability around a mid-point. However, it is not the only way to calculate the spatial characteristics of the asset-class population, and this invention is not limited to this method.